

LA PLATA ELECTRIC ASSOCIATION, INC.
Finance and Audit Committee Meeting Minutes
Thursday, May 15, 2025
9:00 a.m. - 12:00 p.m.
<https://lpea.coop/board-directors-committees>

CALL TO ORDER

The Finance and Audit Committee of the La Plata Electric Association Board of Directors was held on Thursday, May 15, 2025, via Zoom webinar. Committee Chair Wheeler called the meeting to order at 9:01 a.m. The following committee members were in attendance:

COMMITTEE MEMBERS

Director Tim Wheeler, Board Treasurer & Committee Chair
Director David Luschen
Director Kohler McInnis
Chris Hansen, CEO
Patrick Berry, VP of Finance

LPEA STAFF

Dan Harms, Executive VP, Grid Solutions & Special Projects
Graham Smith, General Counsel
Janelle Thunstrom, Executive Assistant

EXCUSED ABSENCE:

None

GUESTS:

Director Kirsten Skeehan and Director Joe Lewandowski

Greg Barber

APPROVAL OF AGENDA

Committee Chair Wheeler addressed the agenda for the May 15, 2025, Finance and Audit Committee (FAC) meeting.

Motion: Committee Member McInnis moved to approve the May 15, 2025, FAC meeting agenda as amended to discuss Tri-State's rate and patronage strategy in the executive session. Motion was seconded and carried without dissent.

APPROVAL OF MEETING MINUTES

Committee Chair Wheeler addressed the April 10, 2025, FAC meeting minutes.

Motion: Committee Member Hansen moved to approve the April 10, 2025, FAC meeting minutes as presented. Motion seconded and carried without dissent.

MARCH FINANCIALS REVIEW – ACTUALS

VP Berry noted a continued favorable variance in the cost of power compared to budget, despite flat revenue performance. This variance extended into April and is attributed in part to the recent rate restructuring, which was implemented after the budget was set. The new rate structure, particularly the increase in the base charge, has helped stabilize revenues despite lower kWh sales.

The team has investigated the cost of power variance, including a review of Tri-State billing, to ensure there are no errors or risks of back billing. No discrepancies were found. There were also some minor disruptions in internal accounting systems, but nothing indicating a cause for concern. Overall, cash performance remains aligned with financial results. While no immediate issues were identified, the variance will continue to be monitored with caution.

APRIL FINANCIALS REVIEW - PRELIMINARY

VP Berry presented an overview of April 2025 financials. LPEA reported a positive operating margin of \$692,108 in April 2025, compared to a budgeted margin of \$242,134, resulting in a positive budget variance of \$449,974 or 186%. In April, our gross margins were 8% or \$315,077 above budget, controllable expenses were 6% or \$138,529 under budget, and other expenses were at budget. Revenue for April was at budget, while cost of power was 6% or \$359,749 under budget, resulting in gross margins being 8% or \$315,077 over budget. Staff is researching the key factors driving variance to budget between revenue and cost of power.

LPEA's rate increase went into effect April 1st, and the changes made to rate structure resulted in a higher increase in the base rates versus usage. This is reflected in the financials with kWh sales being under budget and revenue being at budget. Residential revenue was 2% above budget, small commercial revenue was 1% below budget, and large industrial revenue was 4% below budget. Controllable costs for April were 6%, or \$139K, below budgeted levels. Cash reserves were approximately \$8m under the targeted level. Factors contributing to the decrease in cash reserves are attributed to our quarterly debt payment, larger accounts payable disbursements to contractors working on capital projects, and material costs.

VP Berry addressed all questions from committee members.

RISK POLICY PROCESS UPDATE

VP Berry provided an update on La Plata Electric Association's Risk Policy framework. A recent work session with representatives from The Energy Authority (TEA) helped clarify structure and next steps. TEA's lead advisor, who has significant utility risk management experience, offered guidance on policy development.

The Finance and Audit Committee will serve as the primary liaison between staff and the full Board of Directors. Staff will continue technical work through LPEA's internal Risk Management Committee. The importance of targeted Board involvement—through the FAC—was emphasized to ensure efficient progress.

The group reaffirmed the goal of finalizing an updated Risk Policy by year-end to support LPEA's transition into the Southwest Power Pool (SPP) market.

CTP (CONTRACT TERMINATION PAYMENT) FINANCING UPDATE

VP Berry reported on LPEA's financing strategy for the Contract Termination Payment (CTP) and related capital needs. Staff has held ongoing discussions with the National Rural Utilities Cooperative Finance Corporation (CFC). CoBank remains under consideration for diversification but is currently viewed as a secondary option.

Key components include:

- Authorization to borrow up to approximately \$200 million (establishing capacity, not obligating immediate borrowing).
- A proposed restructuring of LPEA's \$25 million line of credit, shifting \$15 million to a committed facility while leaving \$10 million uncommitted.
- Consideration of a new capital loan facility for infrastructure investments, including the planned purchase of transmission assets from Tri-State.

This month marks a key milestone, as CFC will begin its internal risk review process once LPEA submits updated forecasts, settlement documentation, and a multi-year capital plan. Committee Member Hansen noted that these steps are preliminary and that any borrowing structure or amount will return to the Board and FAC for review and approval. Existing long-term debt is not being refinanced due to favorable interest rates.

KEY FINANCIAL METRICS REVISION – [POLICY 201](#) (Financial Management and Goals)

VP Berry shared updated financial metrics. April's cash deficit was significantly lower than projected (\$800,000 actual vs. \$2.6 million projected).

LPEA currently maintains approximately 70 days of liquidity, including \$25 million in available credit. The recent rate increase and revised rate structure have stabilized revenues despite lower kilowatt-hour sales.

No changes to Policy 201 are planned at this time. Management continues to refine cash flow forecasting and capital planning. A simplified debt covenant schedule will be shared with the Board.

Directors expressed appreciation for the finance team's proactive approach, particularly in capital prioritization and maintaining funding for essential programs such as vegetation management.

REVIEW POLICY 103, SECTION II.C.4.C

LPEA Attorney Smith led a discussion on proposed revisions to Policy 103, Section II.C.4.c, which authorizes the Chief Executive Officer (CEO) to make emergency, non-budgeted expenditures.

The policy currently permits expenditures above 0.25% of annual operating revenue and patronage capital in the event of an emergency. The committee recommended adding a specific expenditure cap and clarifying that Section C refers to non-budgeted expenditures exceeding those in Section B.

Two options were considered:

1. A fixed dollar limit (e.g., \$20 million)
2. A percentage-based limit that scales with the organization's size

Staff will draft revised language for legal review to ensure alignment with LPEA's borrowing authority policies.

Motion: Committee Member McInnis moved to recommend to the full board the amendments to Policy 103, Section 11.C.4.c as presented. Motion seconded and carried without dissent.

EXECUTIVE SESSION

Committee Chair Wheeler requested a motion to enter the executive session to discuss a post-sale update on FastTrack Communications, an update on Tri-State's formulaic 2024 performance, and a PPA (Power Purchase Agreement) extension.

Motion: Committee Chair Wheeler moved to enter an executive session to discuss a post-sale update on FastTrack Communications, an update on Tri-State's formulaic 2024 performance, rate and patronage strategy, and a PPA (Power Purchase Agreement) extension. Motion seconded and carried without dissent.

The committee remained in the executive session from 10:24 a.m. to 11:18 a.m.

There was action taken coming out of the executive session.

Motion: Committee Chair Wheeler moved to recommend that the full board approve Resolution 2025-08; Extension of Waste Heat Generation PPA. Motion seconded and carried without dissent.

ADJOURN

There being no further business, this meeting of the Finance and Audit Committee of the La Plata Electric Association Board of Directors adjourned at 11:20 a.m. Recorded by J. P. Thunstrom and approved by:



Tim Wheeler, Committee Chair